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Report Highlights:

Total U.S. soybean exports to Korea fell 38 percent by volume from a year earlier. The drop in total imports combined with greater competition from Brazil resulted in reduced imports from the United States as well as a significant decline in U.S. market share. U.S. soybean meal exports to Korea are expected to reach 100,000 tons in 2006/07 based on buying contracts to date. Feed millers are beginning to recognize the value of U.S. dehulled soybean meal in rations for swine, poultry and aquaculture.

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SECTION I. SUMMARY**SOYBEANS**

Last year's bumper crop reduced farm gate prices and as a result, Korea's soybean area planted in 2006 decreased to 90,248 hectares, down 15,173 hectares from the previous year. Domestic production is used primarily for traditional food use, whereas imported soybeans are used for crushing (about 75 percent) and for food processing (about 25 percent). The demand for soybeans for food processing has been stable.

In MY 2005/06, soybean imports declined four percent from a year earlier to 1.2 million metric tons (mmt), due to continuing narrow crushing margins. At the same time that local crushers are suffering from worsening crushing margins, the decline in soybean meal and oil prices make it difficult for domestically manufactured soybean oil to compete with imported products, especially those from South America.

Total U.S. soybean exports to Korea fell by 38 percent by volume from a year earlier. The drop in total imports combined with greater competition from Brazil resulted in reduced imports from the United States as well as a significant decline in U.S. market share. The U.S. market share declined to 43 percent, down 24 percent from the previous year while Brazil's market share increased to 52 percent, up 85 percent from the previous year. China has remained relatively stable at 5 percent. Brazilian soybeans dominated the Korean crushing market this year as Korean crushers regard them to have higher oil and protein content for a lower price.

Chinese soybeans, which are imported strictly by private sector buyers, are purchased at the out-of-quota import tariff rate of 487 percent or Korean Won 956/kg, whichever is greater. Seventy percent of the soybeans imported from China were used for sprouting, twenty percent for soybean curd, and the remaining ten percent for soybean-based seasonings.

Samyang Fat and Oil Company merged with CJ Corporation last year and closed its crushing facility in April 2006. As a result, the total soybean crushing capacity in Korea declined to 3,050 metric tons per day (based on 24 hours of processing for 330 days), down 18 percent from the previous year.

MEAL

Local crushers would like to maintain the amount crushed at 900,000 tons. As a result, production of soybean meal in MY 2006/07 is expected to be 713,000 tons, a three percent increase from the previous year. In contrast, imports are expected to continue to expand due to the greater demand for dehulled soybean meal from local feed millers and the increased interest in aquaculture. Accordingly, soybean meal consumption is expected to increase to 2.5 mmt in MY 2006/07.

In MY 2006/07, Korea is forecast to import 1.8 million tons of soybean meal for feed purposes, a 50,000-ton increase from the previous year, due to an estimated marginal growth in animal inventories. Compound feed production in MY 2006/07 is projected to increase slightly in response to the improved inventories of both cattle and swine. Poultry numbers, however, are expected to remain stable or decrease as a result of the recent outbreak of high path avian influenza in Korea. In addition, given the low soybean meal-inclusion rate in animal rations relative to the levels animal nutritionists generally recommend, feed demand for soybean meal probably has room for additional growth.

The market is dominated by South American and Indian soybean meal; however, U.S. soybean meal exports to Korea are expected to reach 100,000 mt in 2006/07 based on the buying contracts to date. Feed millers are beginning to recognize the value of U.S. dehulled soybean meal in rations for swine, poultry and aquaculture. Continued dehulled soybean meal market development will encourage feed millers to opt for U.S. soybean meal when U.S. prices are attractive vis-à-vis South American meals.

New Demand of Soybean Meal from Marine Aquaculture

Despite depleting resources of fishery products, Korean seafood production increased to 2.71 million tons in 2005, up 8 percent from the previous year due to the increase of offshore (shallow sea) aquaculture. Offshore aquaculture has increased in the area of seaweed and fish production in recent years to meet the greater demand for fishery products. (For more information about the Korean seafood market, please refer to KS 6114 .)

The Korean government has encouraged fish farmers to use extruded pellets (EP), composed of soybean meal, fishmeal and wheat flour, they reduce the levels of pollution from trash fish. Major feed millers who have produced EP expect soybean meal consumption to increase to meet the greater demand from marine aquaculture in the future. They expect the EP inclusion rate of fish feed to be more than 50 percent from the current 15 percent by 2010 under the government's incentive program to protect the environment.

The Noah Offshore Farm Co. Ltd has established six pilot cages of offshore aquaculture in the sea four kilometers away from the city of Pyosun on Jeju Island. This sea station project has been provided technical expertise from Net Systems Company, a U.S. consulting company, and the National Oceanic Atmospheric Administration since September 2004. The pilot offshore aquaculture project has been very successful in growing flounder (pompano) and rockfish by feeding the compound feedstuff made from soy protein concentrate (SPC). SPC is more price competitive and environmentally friendly for the water environment than fish-based feed materials.

In view of the decreasing trend in local fish production, marine aquaculture is expected to meet a greater demand for fishery products by a growing number of health conscious consumers.

New LMO Labeling Requirements for Animal Feed

The Korean government plans to require LMO labeling for retail packaged animal feed manufactured with LMO oilseeds and grains. This new requirement is expected to be included in a revised edition of the government 'Feed Manual'. The revision aims to protect the biodiversity from environmental release of LMOs.

OIL

In MY 2006/07, oil production is expected to remain stable at 164,000 mt. Total soybean oil consumption is expected to increase to 540,000 mt, up 13 percent from the previous year, to meet the new demand created by the production of bio-diesel. Soybean oil consumption for food will be stable at around 420,000 mt.

The Korean government reached an agreement with five major local petroleum refineries to voluntarily supply 180,000 kiloliters of bio-diesel through their gas stations across the nation for two years from July 2006 to June 2008. Annual production of bio-diesel is around 90,000

kiloliters and it is expected to require the same amount of vegetable oils. Accordingly, in MY 2006/07, Korea is expected to import an additional 60,000 tons of soybean oil. Currently registered bio-diesel plants with a total annual capacity of 307,000 tons plan to continue using soybean oil as raw material. Prior to July 2006, they had mainly used recycled soybean oil for the production of bio-diesel. (For more information on the Korean biodiesel market, please refer to KS6060.)

Soybean oil imported from South America is extremely competitive with domestically produced soybean oil derived from imported soybeans. Food processors that use soybean oil as an input and restaurants have come to rely heavily on the lower priced imported soybean oil.

In MY 2005/06, the importation of soybean oil increased to 264,838 tons, up 9 percent from a year earlier, to make up for the short supply of domestically produced soybean oil and to meet the greater demand from the processed oil industry, the wholesale market and the retail market. Prices for imports were well below those of domestically produced soybean oil.

In MY 2005/06, U.S. soybean oil exports to Korea were 14,201 tons, similar to the previous marketing year. Most U.S. soybean oil was imported during June – July 2006 in which an international supplier who sold Argentine soybean oil failed to secure soybean oil to perform the contract.

Antidumping Petition on Imported Soybean Oil

On August 28, 2006, the Korean Soybean Processors Association (KSPA) filed an antidumping petition on soybean oil imported from the United States, Argentina and Brazil with the Korea Trade Commission (KTC). The antidumping rate filed by KSPA was 40 percent for Brazilian soybean oil, 26 percent for Argentine soybean oil, and 20 percent for U.S. soybean oil. This is the first antidumping (AD) case that has been brought against a U.S. agricultural product. (For more information about this petition, please refer to KS6099.)

On October 23, 2006, KTC officially announced the beginning of the AD investigation against soybean oil with the antidumping rate adjusted to 34.5 percent for Brazil, 23.7 for Argentina and 17.2 percent for USA. On November 8, 2006, KTC sent out a questionnaire to eight suppliers of soybean oil in three exporting countries to make a preliminary determination within three months. Reply for questionnaires should be submitted no later than December 21, 2006.

Once a preliminary determination is made around sometime between January and March 2007, KTC will conduct an on-site visit of the producers and exporters to check the accuracy of the information they submitted in the questionnaire. This is expected to take one and half to two months.

The final determination will be made after a comment period (usually for one month) and public hearings will take place sometime in 2007.

SECTION II. STATISTICAL TABLES OF OILSEED

Soybean, Oilseed PS&D

PSD Table

Country Commodity	Korea, Republic of Oilseed, Soybean			(1000 HA)(1000 MT)						UOM
	2004	Revised		2005	Estimate		2006	Forecast		
Market Year Begin	USDA Official	Post Estimate 10-2004	Post Estimate New 10-2004	USDA Official	Post Estimate 10-2005	Post Estimate New 10-2005	USDA Official	Post Estimate 10-2006	Post Estimate New 10-2006	MM/YYYY
Area Planted	80	85	85	0	105	105	0	100	90	(1000 HA)
Area Harvested	85	85	85	105	105	105	100	100	90	(1000 HA)
Beginning Stocks	118	119	119	120	120	120	110	160	125	(1000 MT)
Production	139	139	139	183	183	183	150	150	156	(1000 MT)
MY Imports	1240	1240	1240	1190	1300	1190	1275	1300	1200	(1000 MT)
MY Imp. from U.S.	0	827	827	0	800	514	0	800	500	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	1497	1498	1498	1493	1603	1493	1535	1610	1481	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Crush	975	975	975	960	1000	875	990	1000	900	(1000 MT)
Food Use Dom. Cons.	360	360	360	380	400	450	390	420	430	(1000 MT)
Feed Waste Dom. Con	42	43	43	43	43	43	45	43	43	(1000 MT)
Total Dom. Cons.	1377	1378	1378	1383	1443	1368	1425	1463	1373	(1000 MT)
Ending Stocks	120	120	120	110	160	125	110	147	108	(1000 MT)
Total Distribution	1497	1498	1498	1493	1603	1493	1535	1610	1481	(1000 MT)
CY Imports	0	1330	1330	0	1300	1200	0	0	1200	(1000 MT)
CY Imp. from U.S.	0	791	791	0	800	500	0	0	500	(1000 MT)
CY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)

Soybean Import Trade Matrix

Import Trade Matrix

Country Korea, Republic of

Commodity Oilseed, Soybean

Time Period **Oct/Sep** Units: **1,000 MT**
 Imports for: **2004** **2005**
 U.S. **827** U.S. **514**

Others		Others	
Brazil	343	Brazil	620
China	69	China	56

Total for Others 412 676
 Others not Listed **1** **0**
 Grand Total 1240 1190

Source: Korea Customs Service (KCS)

Korea: Soybean Production			
Crop Year	Area (HA)	Yield (KG/HA)	Production (mt)
1985	155,964	1,500	233,863
1990	152,265	1,529	232,786
1995	105,035	1,520	159,640
1999	87,026	1,334	116,120
2000	86,176	1,314	113,196
2001	78,415	1,501	117,723
2002	80,804	1,423	115,024
2003	80,447	1,306	105,089
2004	85,270	1,625	138,570
2005	105,421	1,739	183,338
2006	90,248	1,733	156,404

Source: Ministry of Agriculture and Forestry

Korea: Soybean Consumption for Crushing (Metric Ton)			
Month	MY 03/04	MY 04/05	MY 05/06
October	97,863	69,135	66,300
November	115,975	87,037	73,100
December	117,442	75,014	65,700
January	84,334	76,609	64,500
February	98,243	83,257	57,500
March	100,503	83,880	83,300
April	93,969	82,606	78,400
May	75,925	89,274	78,000
June	78,691	79,455	81,300
July	84,006	83,000	84,600
August	75,157	89,400	79,500
September	66,811	76,700	92,700
Total	1,088,919	975,367	874,900

Source: Korea Soybean Processing Association

Korea: Soybean Crushing Capacity (As of November 2006)		
Soybean Crusher	Capacity (mt/day)	Location
Shin Dong Bang Corp	1,150	Inchon
CJ Corp	1,900	Inchon
Total	3,050	

Note: Day=24 hours processing basis for 330 days

Source: Soybean Crushing Industry

SECTION II. STATISTICAL TABLES OF Meals

Soybean Meal PS&D

PSD Table

Country Commodity	Korea, Republic of Meal, Soybean						(1000 MT)(PERCENT)			UOM
	2004	Revised	Post	2005	Estimate	Post	2006	Forecast	Post	
Market Year Begin	USDA Official	Post Estimate 10-2004	Estimate New 10-2004	USDA Official	Post Estimate 10-2005	Estimate New 10-2005	USDA Official	Post Estimate 10-2006	Estimate New 10-2006	MM/YYYY
Crush	975	975	975	960	1000	875	990	1000	900	(1000 MT)
Extr. Rate, 999.9999	0.79179	0.79179	0.791795	0.79167	0.792	0.792	0.79192	0.792	0.792222	(PERCENT)
Beginning Stocks	186	198	198	188	200	200	275	200	200	(1000 MT)
Production	772	772	772	760	792	693	784	792	713	(1000 MT)
MY Imports	1462	1444	1444	1752	1450	1752	1725	1500	1800	(1000 MT)
MY Imp. from U.S.	0	2	2	0	5	11	0	5	100	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	2420	2414	2414	2700	2442	2645	2784	2492	2713	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Cons.	25	25	25	25	25	22	26	25	23	(1000 MT)
Feed Waste Dom. Cc	2207	2189	2189	2400	2217	2423	2555	2267	2500	(1000 MT)
Total Dom. Cons.	2232	2214	2214	2425	2242	2445	2581	2292	2523	(1000 MT)
Ending Stocks	188	200	200	275	200	200	203	200	190	(1000 MT)
Total Distribution	2420	2414	2414	2700	2442	2645	2784	2492	2713	(1000 MT)
CY Imports	0	1490	1490	0	1500	1770	0	1500	1800	(1000 MT)
CY Imp. from U.S.	0	4	4	0	5	12	0	5	100	(1000 MT)
CY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
SME	2232	2214	2214	2425	2242	2445	2581	2292	2523	(1000 MT)

Soybean Meal Import Trade Matrix

Import Trade Matrix

Country Korea, Republic of

Commodity Meal, Soybean

Time Period Oct/Sep Units: 1000 MT

Imports for: 2004 2005

U.S. 2 U.S. 11

Others Others

Brazil	911	Brazil	696
India	153	India	411
Argentina	359	Argentina	609
China	14	China	18

Total for Others 1437 1734

Others not Listed 5 7

Grand Total 1444 1752

Source: Korea Customs Service (KCS)

Korea: Soybean Meal Production ^{1/} (Metric Ton)			
Month	MY 03/04	MY 04/05	MY 05/06
October	74,166	52,007	50,275
November	87,160	63,602	55,745
December	87,760	60,863	49,249
January	64,761	58,126	48,119
February	74,277	63,673	43,386
March	76,996	63,324	61,052
April	71,085	62,109	56,887
May	57,934	67,986	57,248
June	59,835	60,931	58,940
July	64,305	63,288	62,728
August	56,856	67,821	62,302
September	50,078	59,080	47,076
Total	825,212	742,808	653,007
Extraction Rate	75.78%	76.16%	74.64%

Source: Korea Soybean Processing Association

1/ based on crushers' applicable extraction rate.

Korea: Feed Ingredients Use for Animal				
Items	MY 2004/05		MY 2005/06	
	1,000 mt	Percent	1,000 mt	Percent
Total Grains and Grain Substitution	9,896	65.5	10,118	65.4
- Wheat	1,153	7.6	1,440	9.3
- Corn	6,619	43.8	6,510	42.1
- Others	2,124	14.1	2,168	14.0
Total Vegetable Protein	3,510	23.2	3,619	23.4
- Soybean Meal	2,116	14.0	2,223	14.4
- Rapeseed Meal	285	1.9	244	1.6
- Cottonseed Meal	53	0.4	29	0.2
- Palm Kernel Meal	343	2.3	352	2.3
Copra Meal	397	2.6	440	2.8
- Others	316	2.0	331	2.1
Total Animal Protein	129	0.9	123	0.8
- Fish meal	41	0.3	37	0.2
- Meat & Bone Meal	19	0.1	18	0.1
- Others	69	0.5	68	0.4
Total Others	1,575	10.4	1,609	10.4
TOTAL COMPOUND FEED	15,110	100	15,469	100

Source: Korea Feed Association

Korea: Compound Feed Production (October/September, 1,000 mt)		
Animal Type	MY 2004/05	MY 2005/06
Poultry	4,188	4,238
Swine	5,244	5,176
Cattle	4,812	5,096
Others ^{a/}	815	898
Sub. Total	15,059	15,408
Aquaculture ^{b/}	90	103
Milk Substitute	101	111
Grand Total	15,250	15,622

Source: Korea Feed Association (KFA)

a/ include ducks, pet food, rabbit, horse, sheep, deer, quail etc.

b/ on extruded pellet basis

Korea: Soybean Meal Inclusion Rate for Fish Feedstuff				
Fish Species	Feed Production ^{1/} (1,000 mt)	Soybean Meal (%)	Fishmeal (%)	Others ^{2/} (%)
Flounder	17	5	50-55	5
Rockfish/ Sea bream	28	10-15	40-45	5
Shrimp	8	20-25	25-30	5
Mullet	18	30-35	5-10	20
Trout	5	10-15	40-45	5
Eels	5	5	65-70	0
Catfish	8	20-25	25-30	5-10
Mud Fish	7	30-35	15-20	5-10
Others	5	30-35	15-20	5-10
Total	101			

Source: Ministry of Maritime Affairs and Fishery and CJ Corp.

1/ 2006 projection

2/ Corn Gluten and Single-Cell Protein

SECTION II. STATISTICAL TABLES OF OILS

Soybean Oil PS&D

PSD Table

Country Korea, Republic of
Commodity Oil, Soybean

Market Year Begin	2004 Revised			2005 Estimate			(1000 MT)(PERCENT) 2006 Forecast			UOM
	USDA Official	Post Estimate	Post	USDA Official	Post Estimate	Post	USDA Official	Post Estimate	Post	
			Estimate			Estimate			Estimate	
			New			New			New	
		10-2004	10-2004		10-2005	10-2005		10-2006	10-2006	MM/YYYY
Crush	975	975	975	960	1000	875	990	1000	900	(1000 MT)
Extr. Rate, 999.9999	0.17949	0.18256	0.18256	0.17813	0.18	0.18629	0.17879	0.18	0.18222	(PERCENT)
Beginning Stocks	12	20	20	12	50	50	12	57	36	(1000 MT)
Production	175	178	178	171	180	163	177	180	164	(1000 MT)
MY Imports	244	244	244	265	250	265	270	250	340	(1000 MT)
MY Imp. from U.S.	0	14	14	0	0	14	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	431	442	442	448	480	478	459	487	540	(1000 MT)
MY Exports	4	4	4	4	5	4	4	5	5	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Cons.	18	18	18	17	18	18	19	18	80	(1000 MT)
Food Use Dom. Cons.	397	370	370	415	400	420	420	410	420	(1000 MT)
Feed Waste Dom. Cor	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Dom. Cons.	415	388	388	432	418	438	439	428	500	(1000 MT)
Ending Stocks	12	50	50	12	57	36	16	54	35	(1000 MT)
Total Distribution	431	442	442	448	480	478	459	487	540	(1000 MT)
CY Imports	0	256	256	0	250	260	0	250	340	(1000 MT)
CY Imp. from U.S.	0	17	17	0	0	14	0	0	0	(1000 MT)
CY Exports	0	4	0	0	5	4	0	5	5	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)

Soybean Oil Import Trade Matrix

Import Trade Matrix

Country Korea, Republic of

Commodity Oil, Soybean

Time Period Oct/Sep Units: 1000MT

Imports for: 2004 2005

U.S. 14 U.S. 14

Others Others

Argentina	202	Argentina	241
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Brazil	17	Brazil	10
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Total for Others	219		251
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Others not Listed	11		0
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Grand Total	244		265
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Source: Korea Customs Service (KCS)

Korea: Soybean Oil Production (Metric Ton)			
Month	MY 03/04	MY 04/05	MY 05/06
October	17,495	12,562	12,000
November	20,711	16,026	13,700
December	21,765	14,173	12,000
January	15,156	14,097	13,000
February	17,089	14,810	10,500
March	17,372	14,819	13,700
April	16,538	14,536	13,500
May	13,423	16,208	15,400
June	14,180	14,672	16,000
July	15,099	15,000	15,500
August	13,507	17,000	15,500
September	11,959	14,000	12,500
Total	194,294	177,903	163,300
Extraction Rate	17.84%	18.24%	18.66%

Source: Korea Soybean Processing Association (KSPA)